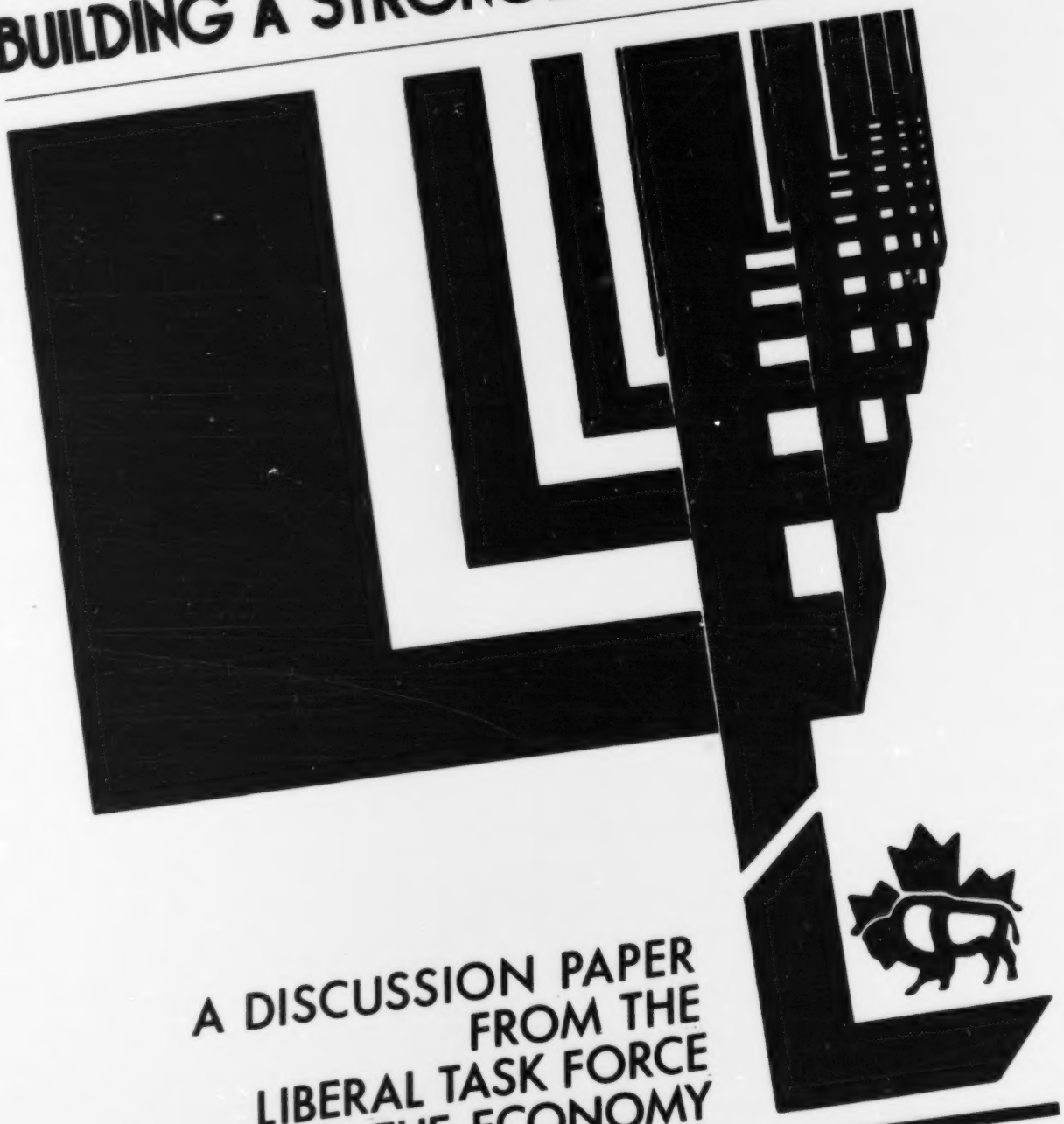
BUILDING A STRONGER MANITOBA



A DISCUSSION PAPER
FROM THE
LIBERAL TASK FORCE
ON THE ECONOMY

90-04991/

BUILDING A STRONGER MANITOBA

THE LIBERAL PARTY OF MANITOBA

TASK FORCE ON THE ECONOMY

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TASK FORCE ON THE ECONOMY

This discussion paper is part of a continuing process of broad consultation with Manitobans in the labour, industry, local government, public and voluntary sectors.

Grounded in data which highlight the present realities facing Manitobans, the paper offers examples of opportunities for new enterprise, and asks readers to think about the range of possible responses to complex issues of public and economic policy. Neither the possibilities, nor the questions are an exhaustive list. Their purpose is to stimulate debate and response.

The Liberal Party believes in a mixed economy, sustained by the dynamism of Manitobans who learn, work, invest, contribute to and play in a Province that has an abundance of human and natural resources.

During the next few months, the Task Force will consult with groups and individuals across Manitoba. We would like to have your views about our economy, our health, education and social services, and of course, about provincial government expenditure and tax policy.

For more information on how you can become involved in this process, contact

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Reg Alcock, MLA
Co-Chair

Neil Duboff
Co-Chair

BUILDING A STRONGER MANITOBA

As Manitoba enters the last decade of this century, our province faces difficult, unprecedented change. The Conservative federal government is aggressively cutting many national funding programs that historically have defined Canada's social contract. A new Trade Agreement has changed the market and trading relationships which used to provide a secure position for Manitoba within Canada. Major cuts of over 40% have been imposed on the regional development programs that previously supported the diversification of Manitoba's economy.

The 90's will force us to rethink some of our economic assumptions. The continuing move to a global economy is producing rapid changes in industry as competitive positions shift constantly. Improved communication and transportation systems enable competition from farther abroad than ever thought possible. If we are to maintain our current position within Canada we must respond quickly and aggressively to these changing conditions.

These new realities also provide opportunities for Manitobans. The challenge facing all sectors of our community is to create opportunity out of the risks inherent in these changes, while safeguarding the quality of life that makes Manitoba a very good place to live.

The role of government is to encourage, support and facilitate Manitoba's business, labour and voluntary organizations to achieve consensus and take action on these complex issues. The result can be a sustainable, affordable economy which draws upon, and can support the excellent health and education services Manitobans cherish.

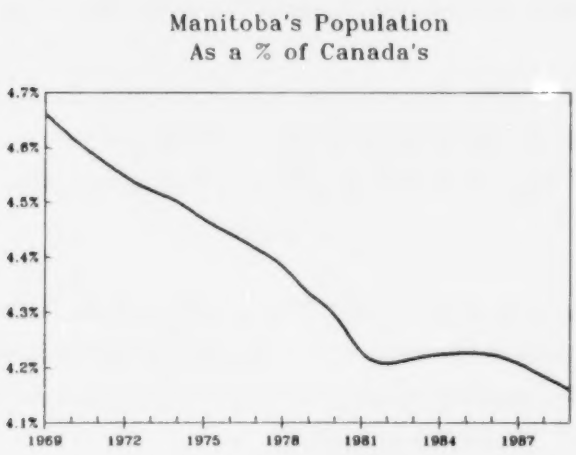
Now... let's examine some of the critical changes taking place in Manitoba

MANITOBA'S CHANGING ECONOMY
CRISIS OR OPPORTUNITY?

Rapid changes are challenging widely held assumptions about the nature of Manitoba's economy. What are the leading indicators which are shaping the central policy questions facing our social, economic, environmental and public service sectors?

A CHANGING POSITION IN CANADA

A DECLINING SHARE OF CANADA'S POPULATION



- seventy years ago, Manitobans were 7% of all Canadians. Today, they are 4.2%. Recent population losses will further reduce our share of Canada's population.

- unless this trend is halted, our secondary manufacturing base is severely threatened, as our provincial market keeps shrinking in relation to the rest of Canada.

- companies seeking stable or growing markets will be harder to attract to Manitoba.

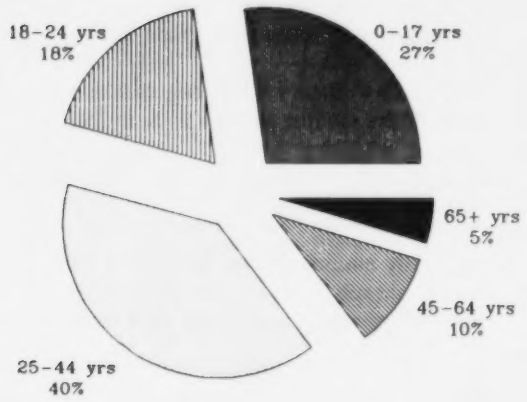
- As our population remains static, Manitoba's share of national wealth will continue to decline.

- the only recent population increase was during the middle of the 1980's. Strong public sector investment by both the federal and provincial governments created a rapid growth in employment which allowed Manitobans to return home to work. This trend has reversed again as declining federal and provincial support for regional development severely limited local employment opportunities. Currently Manitoba's labour force is growing at about one third the rate of Canada's.

What actions could we take to reverse this trend?

IT IS PREDOMINATELY WORKING AGE MANITOBANS WHO ARE LEAVING

Age Distribution Of
Persons Who Left Manitoba
During 1988



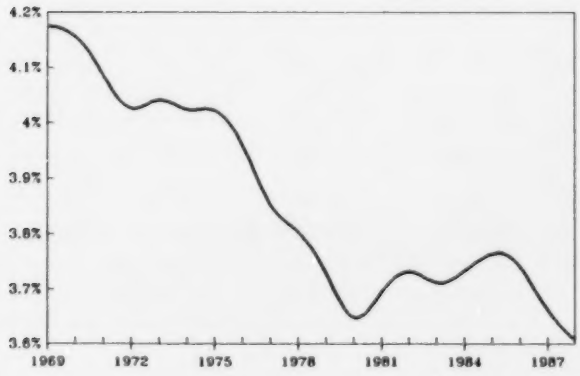
- during 1988 Manitoba suffered a net loss of more than 9,600 persons. Sixty-seven percent of them were between 18 and 64 years of age.

- the out-migration rate continued high through the first three quarters of 1989. Initial indications are that we lost a further 9,000 persons last year.

- we are losing our young professionals, skilled craftspersons, architects, doctors, engineers. A lack of opportunities here is forcing them to seek work elsewhere in Canada.

A DECLINING SHARE OF NATIONAL WEALTH

Manitoba's G.D.P.
As a % of Canada's



- paralleling the decline in population is a decline in Manitoba's share of Canada's gross domestic product.

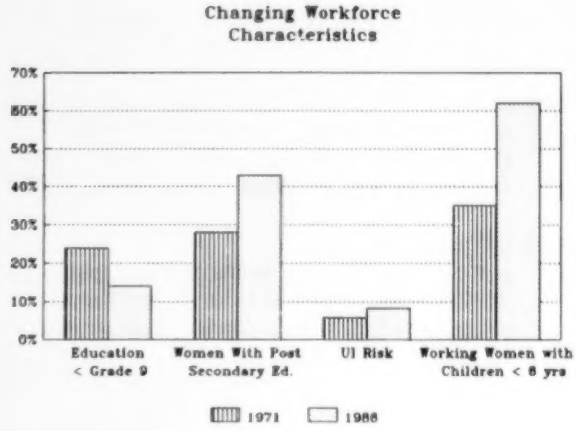
- Manitoba's economy relative to Canada's, declined sharply in the 1970's. The apparent brief improvement in the early 1980's was actually the result of the recession which was more severe in Canada as a whole than in Manitoba.

- this trend has begun again. By 1988 Manitoba's economy had under-performed the national in 18 of the last 27 years.

- Gone are the days when we can be complacent about our "well diversified base" protecting us against the fluctuations seen in other parts of the country. While in real terms, Canada has suffered only one year of negative growth during the last 15 years, Manitoba has experienced three "mini-recessions" in the same period.

JOBS, WAGES AND INVESTMENT

A RAPIDLY CHANGING WORK FORCE



- Manitobans are better educated, and a greater percentage are working than in the past. But those without grade 12 are twice as likely to be unemployed as those with grade 12.

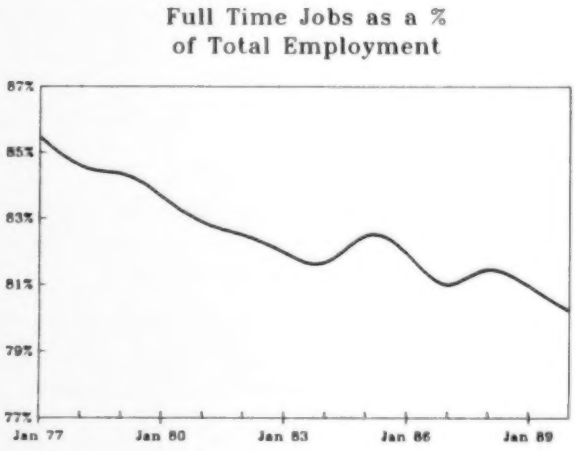
- 62% of women with young children are in the work force, compared with 35% in 1971.

- more older workers are unemployed, and for longer periods of time.

- poverty among singles, no matter what age, has grown sharply. And the proportion of single person households grew from 16% to 26% by 1986.

- while off-reserve Native people have made great gains in labour force participation, unemployment rates of over 20% persist for Native men and women.

FULL-TIME JOBS DECLINE



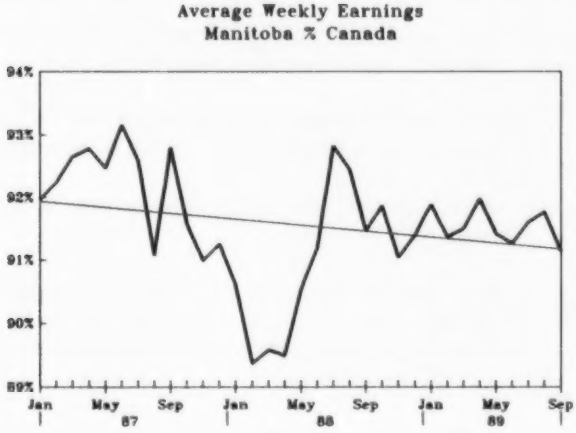
- while more Manitobans are at work, more of this work is part time. The proportion of full-time jobs has declined.

- average hourly earnings are declining in comparison to Canada as a whole, as stable jobs are lost through major plant closures.

- many of the new jobs are in service industries, at or near minimum wage. This puts a downward pressure on total earnings, explaining in part why real wages have actually declined in the last decade.

What labour force adjustment measures should we be considering for the next decade?

NO GROWTH IN REAL WAGES



- real total income, after inflation, fell by some $46 million in the decade 1976 - 1986. Recent data suggests that real incomes have fallen further since 1986.

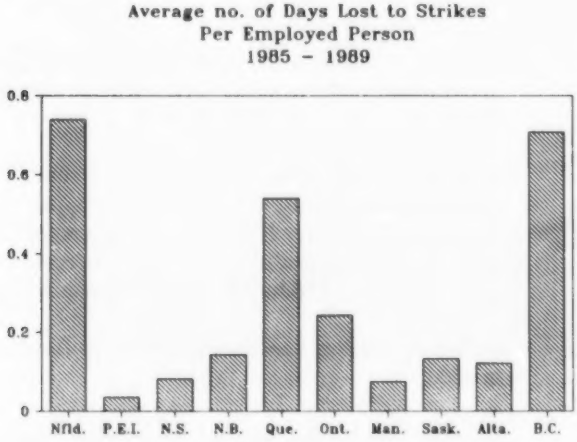
- this means that retail sales, and consumer buying are sharply constrained.

- more single parents and their children live in poverty, and food banks are increasingly swamped with demands.

- given the costs of raising children, services such as Child Care, and affordable housing are even more vital today.

- Increases in real family incomes have resulted from the large numbers of two income families, not from real growth in individual wages and salaries. Single earners have actually suffered losses in the purchasing power of their incomes.

GOOD LABOUR RELATIONS



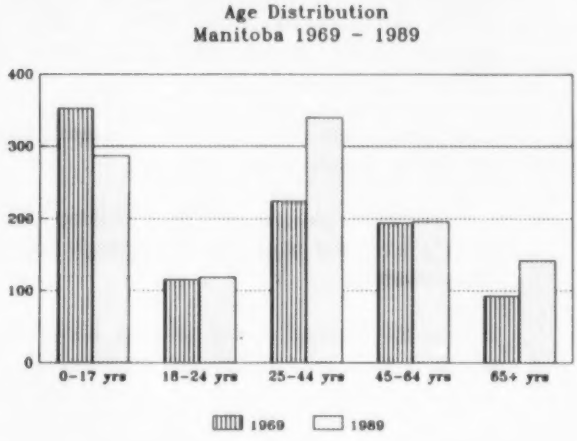
- Manitoba has a good record of labour relations. We have had the second lowest rate of days lost to strikes since 1985.

- In spite of this good record of cooperation, there is a public perception that our labour-management climate is unsatisfactory.

- The formal structures for cooperation among labour, business and government are weak, and require positive attention in order to address the perception of a poor labour relations climate.

What should be done to address the present perception of poor labour relations in Manitoba?

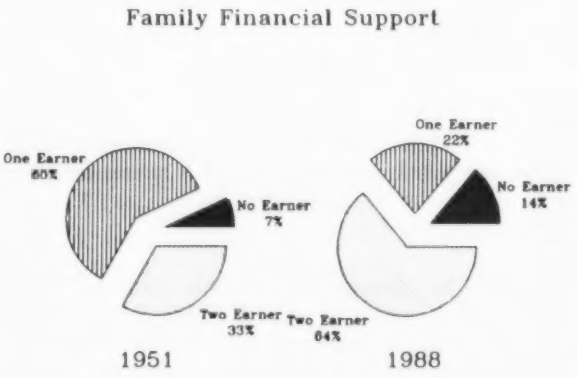
FEWER CHILDREN, MORE WORKERS, MORE SENIORS



- the number of children has declined as the "baby-boomers" moved into the work force.
- the growth in seniors, while significant, is not as large as the decline in the number of children.
- this means fewer dependents, and a higher proportion of workers.
- seniors are healthier, have greater disposable incomes, and thus are a growing force in the economy. New services to seniors present economic growth opportunities.
- the low birth rate means that we depend increasingly on immigration for population growth.

What policy changes are needed to accommodate this shift in population?

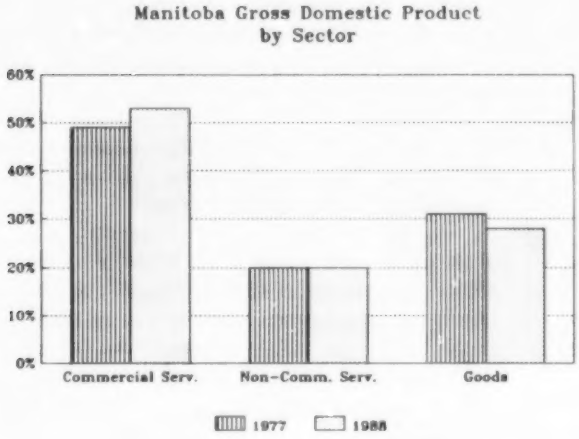
MANY MORE TWO-EARNER HOUSEHOLDS



- more of Manitoba's population is of working age, and women now make up over 45% of the work force.
- in 1971, there were 78 children and seniors for every 100 workers. By 1986, this had dropped to 59 dependents for every 100 workers. This means that more workers are available to support needed Child Care, Health and Education and Pension services.
- 60% of families have two incomes, up from 35% in 1951.
- family income has only grown because most families have two earners. Real individual earnings have dropped.

What policies are needed to assist two parent working families?

CHANGING COMPOSITION OF PROVINCIAL OUTPUT

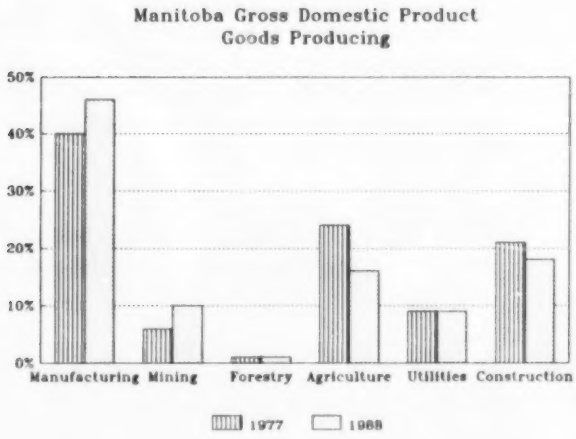


- by 1988, Manitobans produced proportionally fewer manufactured goods, and more commercial services than in 1977. The non-commercial services sector stayed about the same.

- while the changes may appear small, they represent a shift of 4% towards the Commercial Services Sector. **This translates into over $800 million of our gross provincial product.**

- the important issue is whether the shift is towards high value added types of employment, or towards jobs at or close to minimum wage.

MANUFACTURING GROWS...AGRICULTURE DECLINES



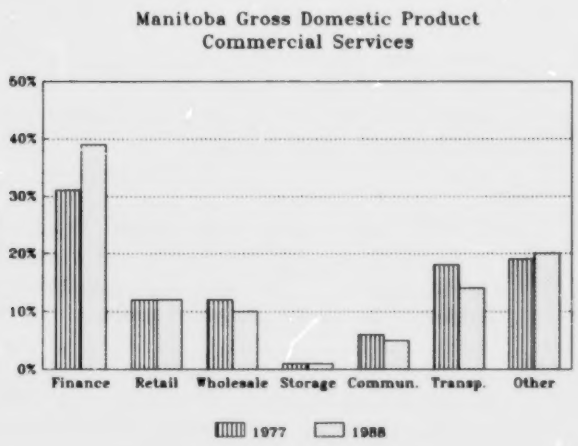
- within the goods producing sector, agriculture, and construction declined sharply in importance, manufacturing and mining grew, while forestry and utilities stayed constant.

- the decline in the proportion of the goods sector output from agriculture indicates the depth of distress in that sector.

- the construction appears particularly weak considering that it has been sustained in the 1980's through major public sector investment in northern and urban development.

Given the present pressure on public expenditures, what strategies are available to halt the declines in the agriculture and construction sectors?

FINANCIAL SERVICES GAIN...TRANSPORTATION LOSES

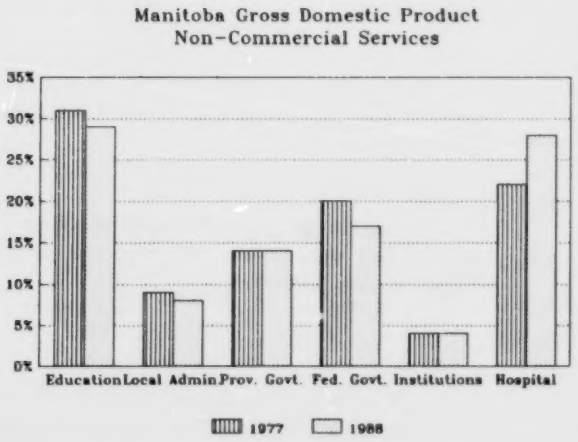


- within the commercial service sector, wholesale trade and transportation declined, while financial services grew in importance. Retail trade remained constant.

- Manitoba's role as a regional finance centre is increasingly vital as this sector grows in overall employment and economic terms.

- as trade patterns shift in relation to the Free Trade Agreement, it appears likely that our once strong rail transportation sector will be increasingly threatened. In addition, the rate of rail line abandonment is certain to increase if the Crow Benefit goes to producers.

MORE SPENDING ON HOSPITALS, LESS ON SCHOOLS



- The non-commercial services (mostly government) sector saw significant shifts away from education and economic development spending, towards health and social services, and a major decline in the role of the federal government in the provincial economy.

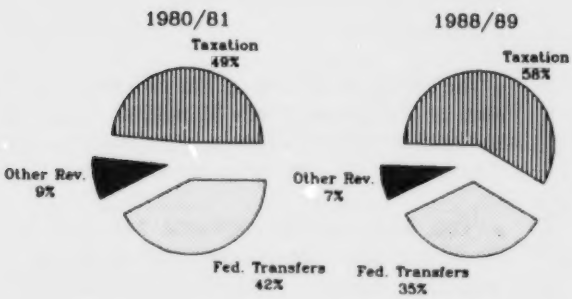
- This shift is magnified when the full costs of medical care, including doctors' payments, are taken into account.

- Cost pressures on health care and higher education will magnify sharply in coming years as the federal cutbacks are implemented.

Education and Health require 50% of provincial expenditures. How can Manitoba preserve these vital services in the light of the continuing federal cutbacks?

THE DISAPPEARING FEDERAL ROLE

Source of Provincial Revenue



Manitoba Public Accounts

- Since 1980/81, the federal role in Manitoba's budget has declined sharply. In 1988/89 terms, this decline amounts to over $300 million. The 1990/91 federal budget announced further major cuts, amounting to an additional $100 million in the next two years.

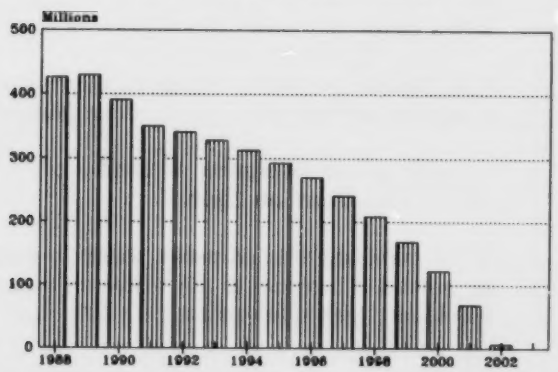
- As a result of these major shifts, Manitoba's dependence on personal income taxes and sales taxes has grown sharply over the decade.

- Regional Development spending was cut sharply. This federal cut was matched by a decline in the proportion of provincial spending for regional economic development.

- Job losses from federal employment exceed 5,000 in Manitoba since 1984/85. Planned closures of military bases will increase this total sharply.

DRASTIC CUTBACKS IN FEDERAL FUNDING TO HEALTH AND HIGHER EDUCATION

Federal Funding For Medicare and Higher Education, 1988/89 – 2003/4



Projection based on federal data

- the 1990/91 federal budget exports the federal deficit to the provinces, but the same taxpayer pays the bills.

- the federal budget cuts cash transfers to provinces for health and higher education by $869 million in 1990/91 alone.

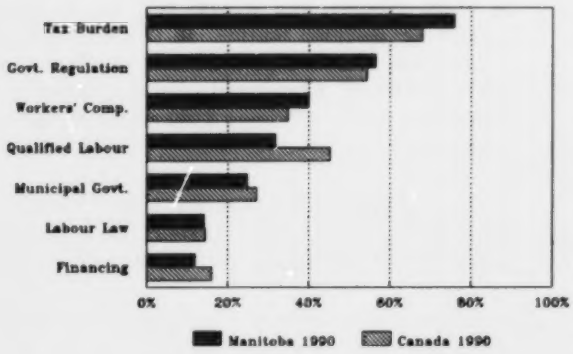
- the federal freeze on health and higher education means that only 12 years from now, there will be no federal budget expenditures for these vital services.

- because federal taxes have already risen sharply, and are still increasing, there is little room for provinces to increase <u>their</u> revenues to pay for vital services.

What stance should the Provincial Government take in regard to the federal withdrawal from key sectors?

A HIGHLY TAXED BUSINESS COMMUNITY

Cdn Federation of Independent Business
Survey of Significant Business Problems



- A careful review of Manitoba's overall tax load on the business sector reveals that our taxes are higher than most other provinces.

- Corporation taxes at 10% to 17% are higher, and have lower exemptions than in most other provinces.

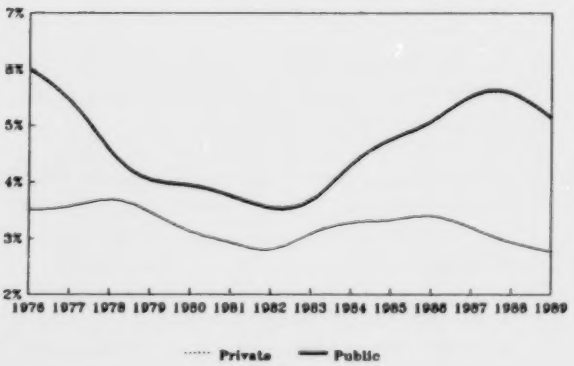
- The Corporation Capital Tax provides a very low level of exemption of only $1 million, compared to $10 million in Saskatchewan, penalizing the capital required for new enterprise development.

- This high overall corporate tax load makes Manitoba less competitive in attracting and retaining industry, particularly capital intensive industries. While the margins of difference are not excessive, they do suggest a climate that is not as favourable as might be found in other provinces.

Can Manitoba afford this margin of difference?

PRIVATE & PUBLIC CAPITAL INVESTMENT

Manitoba Public & Private
Investment as a % of Total Canadian



- in Manitoba, public sector investment dominates the overall investment picture. In fact, our per-capita public investment exceeds that of Canada.

- in Canada as a whole, private sector investment is more than triple that of public sector investment.

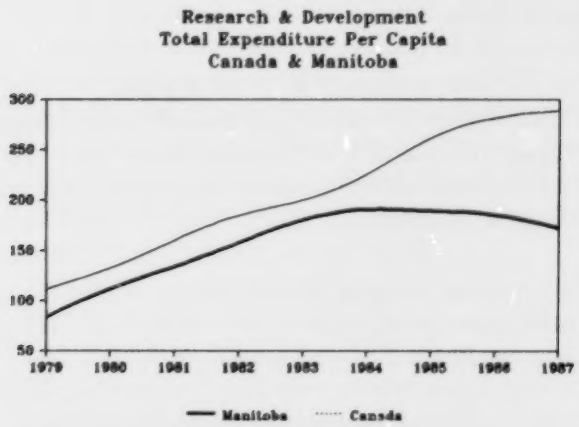
- public sector investment is dominated by the major expenditures on Hydro.

- the dominant role of public sector investment means that it is crucial to select investments which provide for high value added, long term jobs.

- this pattern suggests that Manitoba's construction and materials supply industries are deeply dependent on the capacity of the public sector to make major investments, and to carry the long term costs associated with this investment.

What actions can we take to attract and hold more private sector investment?

RESEARCH AND DEVELOPMENT FUNDING DECLINES



- After rising at about the same rate as Canada's, Manitoba's R+D spending began to decline in 1985.

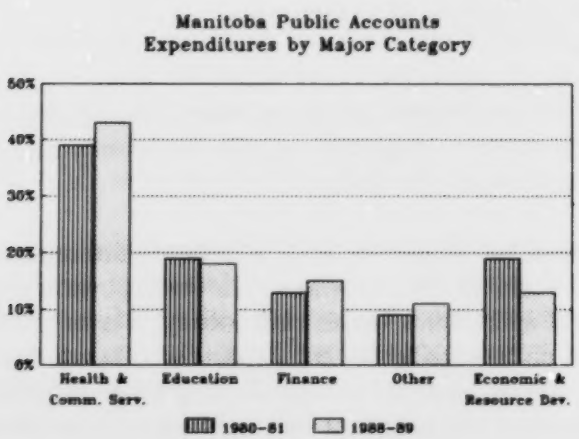
At .9% of our GDP, we are 40% below the Canadian rate, and Canada's rate is less than 50% of Sweden, Germany, Japan or the USA.

- Falling R+D rates should be considered in conjunction with the overall decline in proportion of private sector investment, and the reliance of Manitoba on public sector investment.

- This pattern strongly suggests the need for leadership from the public sector in regard to improving Manitoba's record in this vital sector.

What specific policies should Manitoba adopt to significantly improve its R+D performance in both public and private sectors?

CHANGING PROVINCIAL SPENDING PRIORITIES



- Demands from the health and community services sectors have resulted in sharply lower provincial commitment to economic and resource development.

- Debt servicing costs have doubled in nine years to over 11% of the provincial expenditure. However, provincial debt as a proportion of provincial output has fallen recently.

- High interest rates will force increased spending on debt service.

Are there any major steps which Manitoba could take to increase its financial "room to manoeuvre" ?

THE RESULT OF ALL THESE CHANGES?

A MUCH MORE VULNERABLE ECONOMY...

The overall result of these major changes is that our economy is more exposed to major impacts from outside forces such as drought, changing commodity prices and employment losses related to free trade. Canada as a whole has had only one recession in the period since 1980/81. Manitoba has suffered three "mini-recessions" in the same time span, and current data suggest that we are likely again in a recession.

Manitobans cannot count on the federal government to maintain its historic commitment to assist poorer regions of Canada in economic development, to cope with severe economic problems, or even to maintain vital health and education services.

As our economy has become more service oriented, and our spending more focused on health care and debt service, the provincial government's economic room to manoeuvre has narrowed. Necessary spending on economic and resource development has declined both provincially and federally just at the time when we need it most.

What are the opportunities that can be found in the midst of these rapid changes facing our Province?

CREATING OPPORTUNITIES FOR MANITOBANS

Successful economies are characterized by a shared sense of commitment and optimism, with each sector bringing to the table its strengths and experience. Government's role is fostering partnerships and defining broad economic priorities.

Previous Manitoba governments have invested too many tax dollars in failed attempts to entice businesses from other parts of the world to this province. Instead, government must first seek out and support the strengths and talents which exist locally. Rather than search for expertise outside our borders, we must learn to see the experts who reside here and assist them to develop and apply their talents. Instead of only seeking mega-projects, we must support the small and medium business ventures that can stabilize communities, and remain in Manitoba.

A consistent theme in discussions with business leaders is the need for relatively speedy access to equity capital. Manitoba should consider the creation of a privately managed equity capital fund to increase the capacity of Manitoba firms to expand their capacity and market share. Manitobans contribute hundreds of millions of dollars in pension funds, and make private investments in markets around the world. But there are few accessible investment vehicles targeted on Manitoba.

Securing long term, high quality jobs for all Manitobans who want to work is the ultimate economic policy goal of The Liberal Party of Manitoba. Our province will only be strong when all our citizens, younger and older, men and women, from Manitoba's diverse cultures and races can count on good stable employment, upon which they can build a secure place in this community.

The creation of good jobs requires a sense of opportunity and optimism on the part of our business community. Optimism comes from a sense that enterprise is welcomed and supported with concrete government policy. Opportunities are created when women and men focus energy, capital and skill on problems. The result is new investment, new jobs, and all the spin off activities that support enterprise.

Across Manitoba, there are opportunities for local enterprise which can provide new value added processing, full and part-time jobs, and stabilizing their communities.

AGRICULTURE AND FOOD PROCESSING OPPORTUNITIES

Sustainable rural centres - Opportunity for new enterprise

No sector of Manitoba's economy has changed more quickly than the agricultural and food processing industry. Within a matter of ten years, it has lost fully one-third of its former status, declining from 24% of the goods producing sector to 16% of this sector. Forecasts suggest that this decline will continue as external and internal markets shift rapidly under a variety of major forces.

Some rural communities have risen to this challenge, diversifying their industrial base, and becoming service nodes for their regions. However, far too many smaller Manitoba centres are characterized by large numbers of seniors, sometimes exceeding 35% of the population, rapid loss of young people, and a dwindling economic base.

While markets appear to be declining for some traditional products, new opportunities for value added processing also exist, particularly in the fields of microbiology, enzyme extraction, and processing of specialty crops. As world markets shift, Manitobans must begin to produce for the new market, rather than fight rear-guard actions to maintain collapsing markets.

For example, one recurring problem is that federally regulated standards often do not reflect what international markets want. To cite but one instance, hog grading standards do not reflect the desires of the Japanese consumer. Our "best" hogs, are not what they consider premium grade. Becoming flexibly attuned to market demand means allowing the buyer to judge and determine quality, not rigid adherence to standards driven by Canadian preferences.

Great potential exists for a rural venture capital fund tied to regional economic and infrastructure planning. The Province ought to facilitate enterprise development, and where needed, support privately managed venture capital to develop rural, valued added processing and manufacturing businesses. Regional planning would focus on rationalization of the provincial health, education and other services, focusing on the development of efficient nodes of service and reducing the duplication of costly, smaller services.

What other opportunities are there for new enterprise in rural Manitoba?

MANUFACTURING - Dynamic Changes

In the eleven years from 1977 to 1988, Manitoba's manufacturers grew from 40 to 46% of the goods producing sector. This growth was characterized by rapid changes within the sector as traditional plants, such as Swift's and Canada Packers closed, while new factories, such as Northern Telecom and Boeing opened or greatly expanded their operations.

While the manufacturing workforce has declined, this important sector still employs 57,000 skilled Manitobans. Opportunities exist in several key areas for further growth in the high value added aspect of our already diversified manufacturing base.

AEROSPACE: A Critical Mass

Industry observers indicate that Manitoba has what might be termed a "critical mass" in the aerospace field. Firms such as Bristol, Boeing, Standard Aero, Hughes and others provide a window on export and development opportunities in many countries of the world. Were it not for the unstated, but clear policy of the federal government to centralize aerospace industry in central Canada, Manitoba's presence in this field would be even stronger.

The role of government should be to seek out other manufacturing sectors which have the same potential, and to build sectoral strategies aimed at development of critical mass, and appropriate government support.

COMMERCIAL SERVICES - The Growth Leader

During the period 1977 - 1988, the commercial services sector grew strongly. Within this sector, financial services emerged as dominant, providing almost 40% of the overall sector activity. Employment in this sector grew over 100% in some areas, and strongly throughout the sector.

It would appear that the public and industry demand for services is strong, and that little government action is required in this highly diversified area. However, there are opportunities in specific fields in which government does play a major role as either consumer or funder.

DATA PROCESSING: Central Location - Proven Suppliers

Manitoba's data processing industry is supported by the presence of major private sector data processing centres, including Air Canada, Great West Life, Comcheq, The Royal Bank and many others. Employment opportunities have grown and changed in this field at a more rapid pace than any other sector.

Manitoba is located in the central time zone, bracketing the business days of both coasts. Our energy costs are low, and our office and labour costs extremely competitive with any other central north American city.

Manitoba's government is moving to sell its own modern data processing centre. Manitoba should consider how this sale can be used to lever the data processing industry in our province to increase its critical mass, better enabling it to compete beyond our borders. Close cooperation among leaders in industry, telecommunications, finance and government could make possible a leadership strategy based in part on the major current role of Manitoba Data Services.

What other industries should be the focus of special attention?

RESPECTING THE ENVIRONMENT

"Sustainability" is the buzz-word in every conversation about our economy and the environment. Manitobans know that the future of our earth's ability to sustain life is at stake. They know that respect for our environment must be demonstrated by action. They are prepared to learn, and then to act thoughtfully to shift our economy towards long-term sustainability, for our own and for our children's sake.

ENVIRONMENTAL OPPORTUNITIES: ***Appropriate scale - value added exports***

Great opportunities exist for communities that can bring skill and vision to bear on the environmental imperatives of our time. In particular, four distinct sectors of activity require integration; **environmental research, higher education, industrial research and development**, and **international development.**

Government should seek to stimulate and facilitate a convergence of the interests of Manitoba and other corporations, which have, or wish to develop, products and procedures which are environmentally sustainable, for use in Canada, and in the developing world. The primary means of stimulation would be the development of joint ventures; partnerships representing corporations, Manitoba's centres of higher learning, (including the Community Colleges), and International Development Agencies. The locus of this convergence could be the Centre for Sustainable Development.

Manitoba has a long record of excellence in several relevant fields, including fresh water fisheries (The Freshwater Institute), all forms of cereal and oilseed crops, and the study of pests that affect these crops (Agriculture Canada Research Stations in Winnipeg, Brandon and Morden, the Faculty of Agriculture, U. of M.), major engineering consultancy firms (UMA, Hydro, Wardrop, The Whiteshell Nuclear Research Facility, and the Faculty of Engineering) and environmental protection/education groups, (The Fort Whyte Centre, and many other similar groups). The central offices of many grain and transportation companies are located in Manitoba.

Together, these factors make possible an environmentally responsible, industrial, economic and education strategy. The Government should act as a facilitator, and might provide or support access to venture capital, focusing on <u>diffusion</u> of new but proven technologies. The Sustainable Development Centre would become the focus for applied environmental research and education for all Manitobans on the vital issues which are already changing our climate, and threaten our very existence.

The Government could set aside, in conjunction with the International Development Community and the Private Sector, as large a number of visiting scholarships as possible, to train third world educators/officials in sustainable development, and appropriate technological diffusion. These fellowships and scholarships could also be tenable at the Community College level. In turn, these officials and their countries will look naturally to Manitoba for services and products that meet their needs. Our goal must be to create a sustainable economy for Manitoba with substantial, measurable progress by the year 2000.

PROTECTING VITAL SERVICES

Health and higher education services are the cornerstones of a strong economy. Yet the present federal government is taking deliberate action to end all federal support for these vital services. At the present rate, some provinces will no longer receive any federal payments for health and higher education by 1996/97, only six years from now. While federal support for health and higher education has been declining, federal spending has been increasing sharply on defense, among other things. Canada's medicare and higher education systems represent a vital competitive advantage that is being eliminated as the federal government quietly ends its support. Vocal federal promises to provide national leadership in Child Care and Homemakers' Pensions have been replaced by a stony silence. Manitoba needs a government that will work aggressively with other provinces to support existing and develop necessary new services.

While health and higher education are the foundation for all vital services, the need for expanded and improved services are vital for the care and development of children and for the economic well-being of families. Fully 62% of women with pre-schoolers are in the work force, contributing in a major way to all sectors of the economy. In the face of federal indifference, ways must be found to expand and stabilize our current services.

Provincial Strategy must be based upon two central themes, the preservation and enhancement of vital health, education and social services, and a strong, sustained call, in concert with all provinces that the federal government set its spending priorities straight. Canadians support sound government economic policy, but they will not support a policy that puts defense spending ahead of health care, and high interest rates for an over-heated economy in central Canada against farmers and business people in the poorer regions.

HEALTH CARE and HIGHER EDUCATION: Sustaining and sharing services

Our Health and Higher Education Systems have excellent facilities and research capacity in our Universities and Community Colleges, St. Boniface Research Centre, Cancer Research Centre, Rh Institute, Rehabilitation Hospital and School of Medicine. Together, these sectors serve our health and education needs, while they also generate over 10% of Manitoba's economic output. It is time to recognize that these major systems are <u>service industries</u>, and not simply <u>services.</u>

Manitoba's Health Care system requires a great number of suppliers and support systems. The production and distribution of everything from disposable supplies to computer support services provides employment opportunities. Could Manitoba sustain some needed services by selling excess capacity to our neighbours?

For example, Ottawa Children's Hospital provides neo-natal care for many residents of up-state New York because it is closer and less costly than equivalent American care. Many residents of the adjacent border states require specialized, high quality medical services which are available in Manitoba. Could such services be provided at costs which American medical insurance programs might find quite attractive? Canadians who have paid medical bills in the United States know that the costs of service far exceed those in Canada. Could residents of northwestern Ontario receive care by agreement with Manitoba, rather than having to go to Toronto, at much greater cost?

Manitoba might also carefully consider a major trial of a "Manitoba Health Service Organization". HSO's promote wellness by rewarding doctors for the health status of their patients, rather than for care given during illness. They make possible use of a much wider range of professionals to provide care to patients. In an HSO, a group practise is paid a flat fee for caring for all the needs of individuals. In order to ensure freedom of choice, individuals are free to seek care wherever they wish. HSO's provide an incentive to provide appropriate, but not excessive service. They avoid the necessity of rationing services through capping either physician supply, or service provision. While they are not a panacea for all problems in the health care system, they do provide a potential alternative to the current confrontational style between physicians and government.

What other actions could Manitobans take to save their medicare and higher education systems? What about other vital services such as Child Care?

THE PUBLIC SECTOR:

Vital public health, education, social and economic development services undergird Manitoba's capacity to compete in the wider world of tomorrow. Securing these services means ensuring that Manitoba's government is on a sound, sustainable economic path of balanced expenditures and income. Over the longer term, the accumulated debt must be significantly reduced.

PROVIDING SOUND MANAGEMENT *Making every dollar count*

Manitoba's government is a multi-bilion dollar business, employing directly and indirectly over 70,000 skilled workers, and touching the lives of all citizens. Manitobans have a right to expect that this major enterprise will be efficiently managed, with keen attention to increasing the productivity of services wherever possible.

Unfortunately, there is strong evidence of poor morale among senior government managers. While there are many causes, the chief ones appear to be that they are prevented from managing by a welter of overlapping and antiquated regulations, and by direct political involvement in matters of detail.

Far too many staff appointments are tainted by political involvement. Only Deputy Ministers should be appointed by the government. All other staff ought to be appointed by rigorous public service procedures. It is time that public service in Manitoba again became an honourable career choice, not subject to the whims of Ministers.

At the same time, senior managers must be expected to indeed manage. Decision support systems play a major role in all modern enterprises. Manitoba is characterized by departments which do not even have commitment accounting systems, let along decent data to assist in policy development. For example, there are no meaningful public school student records. We have no real idea of the drop out rate, the illiteracy rate, or even of academic achievement. Central government lacks a functional, automated commitment accounting system. The systems of government, personnel, program and financial, require extensive overhauling and modernizing if we are to begin to deal with the key question of efficiency.

PROVINCIAL EXPENDITURE STRATEGY *Priorities for scarce resources*

In the face of federal off-loading of the costs of health, higher education, and services to native people, Manitobans face difficult choices. Manitoba can ill afford to increase its debt load. Whatever mix of responses are chosen, it is clear that the wider financial community will expect Manitobans to be able to fully support the services they receive.

In examining the realities that condition these hard choices, it seems likely that:

* Health Care services will continue to demand higher spending and resource commitment.

* Post-secondary Education and R+D expenditures need increases if we are to support economic evolution towards higher value added activities.

* Economic development demands sharply increased R+D and other economic development stimulus.

* Support to the re-vitalization of rural and northern communities will be required.

* the demands for sound environmental policies and related expenditures can be expected to grow.

* Federal support will continue to fall, at least until 1992/93. In particular, funding to health and higher education will suffer. It peaked in 1987/88, and already has fallen over 15% in real terms. The rate of decline will increase sharply in 1990/91 and 1991/92 with the federal freeze in EPF payments. Manitobans should remember that only ten years ago, federal cash payments provided 25% of health and higher education costs. By 1992, this will have fallen to 14%, with a complete end to all payments sometime near the end of the decade.

* Interest rates may fall somewhat, but likely will remain relatively high as both the American and Canadian economies remain in deficit. Unless the Bank of Canada is prepared to let the dollar fall to where it was when Free Trade was negotiated ($.75), Canadian rate premiums will stay 4-5% above American rates.

Taken together, these realities pose a daunting series of expenditure management problems for Manitoba's people and government. These difficulties are compounded by expected slower revenue growth, as federal reductions take hold, and the economy slows, reducing income from taxation. The major options available to Manitoba's government appear to be limited.

What mix of taxation and expenditure policies would best meet our needs?

PARTNERSHIPS - MANITOBANS WORKING TOGETHER

One theme has dominated the Task Force discussion of these complex issues...the need for Manitoba's government to provide a climate of cooperation and common effort as together we face this decade of risk and opportunity.

All Manitobans have a part to play in securing the long term health and vitality of our Province. Young Native people comprise the fastest growing segment of our work force. They have a right to expect excellence in their education and fairness in their employment. Manitoba's strong multi-cultural community has long played a key role in the development of new businesses and the arts. Women have become major creators of new jobs, as they enter the small business world in record numbers.

Manitoba's families must be able to count on support as they raise children in an economy which increasingly requires participation in the work force. Support for employment equity, and fair employment practises must continue as a central focus of employment policy.

The role of Labour is vital in securing a climate to support a dynamic economy. Public policy must recognize the legitimate and positive role Labour plays in participating with business and government in mechanisms for economic cooperation and development. As the needs of the economy shift, labour force adjustment strategies become important tools for assisting workers to secure new skills and continuing employment.

All our citizens must be encouraged and supported to use their combined talents and skills as we shape our economy for the challenges of this decade. We look forward to a continuing dialogue with Manitobans from all walks of life and all political backgrounds on these important issues.

Please forward your comments to:

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